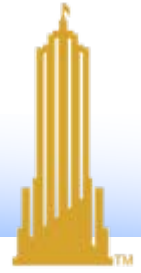




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HSA Presentation for the Employees of The State of Indiana

Health Savings Accounts





WHAT IS THE HSA CONCEPT?

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There are two components to the “HSA Concept”

High Deductible
Health Plan



Anthem
HDHP I
or HDHP II

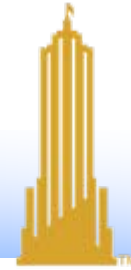
Health Savings
Account



Tax-Qualified
Account from
Tower Bank



WHAT IS AN HSA?



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- Specially designed bank account owned by an individual—unused funds accumulate from year to year and belong to employee, even if employee leaves State government.
- Contributions from both employer and employee are deposited into the HSA.
- Provides the payment method to medical providers and for other approved medical expenses.

Health
Savings
Account



Tax-
Qualified
Account from
Tower Bank



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BENEFITS OF THE HSA



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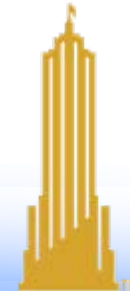
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- Contributions made to the HSA from payroll are pre-tax.
- Contributions made directly to the HSA with after-tax dollars (non-payroll contributions) can be deducted on the IRS tax return so *all contributions are tax-free*.
- Contributions will remain tax free as long as they are used for qualified medical expenses (even after retirement and Medicare).
- Earnings (interest) on the account remain tax free.



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HOW DO I USE MY HSA?



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Monthly bank statements sent to your home will reflect HSA funds available to pay for qualified medical expenses including:

- a) Medical expenses that have been adjusted by the network provider and applied to your insurance deductible.
- b) Other medical expenses like over-the-counter meds, LASIX surgery, etc. (The type of expenses for which you used your Flexible Spending Account.)

Pay your qualified expenses by using HSA checks or HSA debit card.



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WHAT DO I DO?

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When I go to the doctor what do I do?

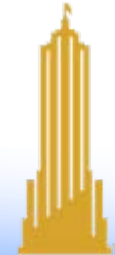
At time of service you will pay medical providers the negotiated fee (prior to the deductible) and only the coinsurance amount after the deductible is satisfied.

Any money that you pay your medical provider at the time of service will apply to your deductible and to your out-of-pocket expense.



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USING YOUR HSA



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EXAMPLE: Office Visit

\$55.00

General physician visit

~~-\$25.00~~

Network discount

\$30.00

Billed to insurance
(*deductible not met*)

\$30.00

Check or debit card payment to physician



USING YOUR HSA



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EXAMPLE: Prescription

\$75.00 Prescription expense

~~-\$24.00~~ Network discount

\$51.00 Billed to insurance while you wait
(*deductible not met*)

\$51.00 Check or debit card payment
to pharmacy



TRACKING EXPENSES



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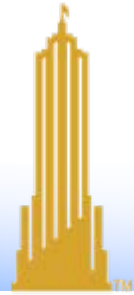
MAINTAIN AN HSA FILE:

- Retain receipts for every medical expense.
- Review and retain monthly bank statement and check images.
- Review and file EOBs (Explanation of Benefits) with associated receipts.
- Retain records for seven years (supporting evidence to IRS).



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TOWER BANK HSA



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- Individual HSA checking account (in your name).
- HSA checking with checks and/or debit card.
- Monthly statement with check images (front and back).
- Online viewing options and toll-free phone services (24/7).
- Monthly service fee of \$1.75 deducted automatically from your account.
- Authorized signer option.
- Interest paid on ALL balances..
- IRS tax reporting (Year-end 1099 SA, April 15, 5498 SA).



BALANCING YOUR ACCOUNT



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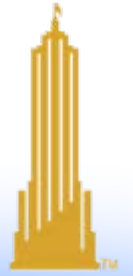
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- Utilize the monthly Tower Bank statement which will reflect both employer and personal contributions.
- Enter monthly contributions and other bank transactions into your checkbook register.
- Contact Tower Bank with any bank-related questions by calling toll-free to 1-877-427-7220, by using the 24/7 Telephone Banking line at 1-888-743-0737, or by visiting *www.towerbank.net* to view your account online.



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WHAT PLAN WILL BE BEST FOR ME?

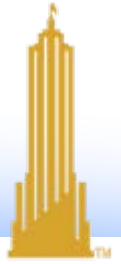


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Analyze your actual expenses from 2006

- What are my premiums?
- Did I have a deductible and if so, what expenses did I pay during the deductible period?
- How much did I spend on physician visit co-pays after the deductible was met?
- How much did I spend on Rx co-pays?
- Did I have other expenses?



WHAT PLAN WILL BE BEST FOR ME?

TOWERbank

Family of 4

Anthem TRAD II 2006

HDHP II/HSA 2007

- Premiums

\$1293

\$959

- Physician co-pays

120 [8 x \$15]

600 [8x\$75]

[8 visits @ \$75.00

20% co-pay per visit]

- Rx co-pays [5 Rx=\$400

50

400

@10% or 20%]

- Other Expenses

0

0

- Total Cost-employee

<\$1463>

<\$1959>

\$1870

Deposit in HSA

0

<\$89>

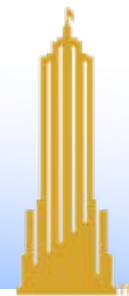
Total cost

<\$1463>



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HOW MUCH SHOULD I CONTRIBUTE?



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Q. How much is the State of Indiana contributing?

A. \$935 single, \$1870 family in HDHP II and \$1375 single and \$2750 family in HDHP I.

Q. How much can I contribute to my HSA?

A. You can contribute the difference between the State's contribution and your deductible.

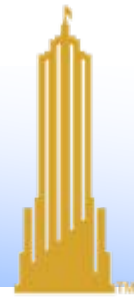
Q. Do I have to contribute to my HSA?

A. No, but the more you save tax free, the better prepared you will be for unexpected medical costs.



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HOW MUCH SHOULD I CONTRIBUTE?



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Q. How do I know what “the negotiated fee” is?

A. Sometimes your doctor’s office will know, but in any event your claim will be submitted to Anthem by the provider and then the network discount is applied to it.

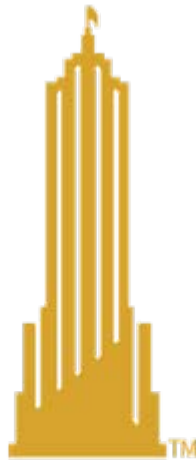
Q. When does the State deposit money into my account?

A. The State will deposit money each pay period.



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Where service is a passion.

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